

LEE TOWNSHIP

Midland County, Michigan

56-1100

FINANCIAL STATEMENTS
MARCH 31, 2004

Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended.

Local Government Type <input type="checkbox"/> City <input checked="" type="checkbox"/> Township <input type="checkbox"/> Village <input type="checkbox"/> Other		Local Government Name Lee Township	County Midland
Audit Date 3/31/04	Opinion Date 7/24/04	Date Accountant Report Submitted to State: 11/22/04	

We have audited the financial statements of this local unit of government and rendered an opinion on financial statements prepared in accordance with the Statements of the Governmental Accounting Standards Board (GASB) and the *Uniform Reporting Format for Financial Statements for Counties and Local Units of Government in Michigan* by the Michigan Department of Treasury.

We affirm that:

1. We have complied with the *Bulletin for the Audits of Local Units of Government in Michigan* as revised.
2. We are certified public accountants registered to practice in Michigan.

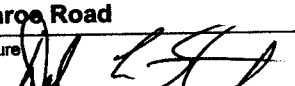
We further affirm the following. "Yes" responses have been disclosed in the financial statements, including the notes, or in the report of comments and recommendations

You must check the applicable box for each item below.

- ☐ Yes ☒ No 1. Certain component units/funds/agencies of the local unit are excluded from the financial statements.
- ☐ Yes ☒ No 2. There are accumulated deficits in one or more of this unit's unreserved fund balances/retained earnings (P.A. 275 of 1980).
- ☒ Yes ☐ No 3. There are instances of non-compliance with the Uniform Accounting and Budgeting Act (P.A. 2 of 1968, as amended).
- ☐ Yes ☒ No 4. The local unit has violated the conditions of either an order issued under the Municipal Finance Act or its requirements, or an order issued under the Emergency Municipal Loan Act.
- ☐ Yes ☒ No 5. The local unit holds deposits/investments which do not comply with statutory requirements. (P.A. 20 of 1943, as amended [MCL 129.91], or P.A. 55 of 1982, as amended [MCL 38.1132]).
- ☐ Yes ☒ No 6. The local unit has been delinquent in distributing tax revenues that were collected for another taxing unit.
- ☐ Yes ☒ No 7. The local unit has violated the Constitutional requirement (Article 9, Section 24) to fund current year earned pension benefits (normal costs) in the current year. If the plan is more than 100% funded and the overfunding credits are more than the normal cost requirement, no contributions are due (paid during the year).
- ☐ Yes ☒ No 8. The local unit uses credit cards and has not adopted an applicable policy as required by P.A. 266 of 1995 (MCL 129.241).
- ☐ Yes ☒ No 9. The local unit has not adopted an investment policy as required by P.A. 196 of 1997 (MCL 129.95).

We have enclosed the following:

	Enclosed	To Be Forwarded	Not Required
The letter of comments and recommendations.	✓		
Reports on individual federal financial assistance programs (program audits).			✓
Single Audit Reports (ASLGU).			✓

Certified Public Accountant (Firm Name) Dale L. Stanton, CPA			
Street Address 3278 E. Monroe Road	City Midland	State MI	ZIP 48642
Accountant Signature 			Date 11/22/04

LEE TOWNSHIP
TOWNSHIP BOARD

David Yost
Supervisor

Dale Wolfgang
Trustee

Michael Glynn
Trustee

Doris French
Clerk

Bert Kellogg
Treasurer

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Dale L. Stanton
Certified Public Accountant

To the Township Board
Lee Township
Midland, Michigan

I have audited the accompanying general purpose financial statements of the Lee Township, as of March 31, 2004, and for the year then ended, as listed in the table of contents. These general purpose financial statements are the responsibility of the Lee Township's management. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted my audit in accordance with generally accepted auditing standards. Those standards require that I plan and perform the audit to obtain reasonable assurance about whether the general purpose financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the general purpose financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall general purpose financial statement presentation. I believe that my audit provides a reasonable basis for my opinion.

In my opinion, the general purpose financial statements referred to above present fairly, in all material respects, the financial position of the Lee Township as of March 31, 2004, and the results of its operations for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

My audit was conducted for the purpose of forming an opinion on the general purpose financial statements taken as a whole. The supplementary information listed in the table of contents is presented for purposes of additional analysis and is not a required part of the general purpose financial statements of the Lee Township. Such information has been subjected to the auditing procedures applied in the audit of the general purpose financial statements and, in my opinion, is fairly stated in all material aspects in relation to the general purpose financial statements taken as a whole.



Dale L. Stanton
Certified Public Accountant

July 24, 2004

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Midland, MI 48642



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Lee Township
Combined Balance Sheet - All Fund Types and Account Groups
March 31, 2004

	Governmental Fund Types		Fiduciary Fund Type
	General	Special Revenue	Trust and Agency
Assets			
Cash in Bank and Investments	\$ 632,892.31	\$ 126,923.70	\$ 263,152.87
Accounts Receivable	-	11,600.00	-
Property Taxes and Assessments Receivable	9,012.34	45,992.97	-
Due from Other Funds	208,646.08	223,258.77	-
Due from Other Units of Government	43,503.00	-	-
Prepaid Expenses	20,339.00	-	-
Land and Land Improvements	-	-	-
Buildings	-	-	-
Equipment	-	-	-
Amount to be provided for retirement of long-term debt	-	-	-
Total Assets	\$ 914,392.73	\$ 407,775.44	\$ 263,152.87
Liabilities and Fund Equity			
Liabilities:			
Accounts Payable	\$ 23,141.64	\$ 6,797.27	\$ 28.41
Due to Other Funds	8,694.50	160,596.34	262,614.01
Due to Other Governmental Units	-	-	510.45
Payroll Liabilities Payable	5,107.08	33.28	-
Accrued Wages	6,371.00	2,090.00	-
Pension Plan Payable	17,661.76	8,985.23	-
Deferred Revenue	-	45,281.68	-
Notes Payable	-	-	-
Total Liabilities	60,975.98	223,783.80	263,152.87
Fund Equity:			
Investment in General Fixed Assets	-	-	-
Fund Balances:			
Unreserved:			
Designated	-	-	-
Undesignated	853,416.75	183,991.64	-
Total Fund Equity	853,416.75	183,991.64	-
Total Liabilities and Fund Equity	\$ 914,392.73	\$ 407,775.44	\$ 263,152.87

The accompanying notes are an integral part of this financial statement.

Account Group		Total (Memorandum Only)
General Fixed Assets	General Long-Term Debt	
\$ -	\$ -	\$ 1,022,968.88
-	-	11,600.00
-	-	55,005.31
-	-	431,904.85
-	-	43,503.00
-	-	20,339.00
55,286.00	-	55,286.00
198,071.88	-	198,071.88
819,961.09	-	819,961.09
-	27,626.00	27,626.00
<u>\$ 1,073,318.97</u>	<u>\$ 27,626.00</u>	<u>\$ 2,686,266.01</u>
\$ -	\$ -	\$ 29,967.32
-	-	431,904.85
-	-	510.45
-	-	5,140.36
-	-	8,461.00
-	-	26,646.99
-	-	45,281.68
-	27,626.00	27,626.00
-	27,626.00	575,538.65
1,073,318.97	-	1,073,318.97
-	-	-
-	-	1,037,408.39
<u>1,073,318.97</u>	<u>-</u>	<u>2,110,727.36</u>
<u>\$ 1,073,318.97</u>	<u>\$ 27,626.00</u>	<u>\$ 2,686,266.01</u>

Lee Township
Combined Statement of Revenues, Expenditures, and Changes
In Fund Balances - All Governmental Fund Types

For the Year Ended March 31, 2004

	Governmental Fund Types		Total (Memorandum Only)
	General	Special Revenue	
Revenues:			
Property Taxes	\$ 64,464.92	\$ -	\$ 64,464.92
State Revenue Sharing	388,097.00	825.00	388,922.00
Charges for Services	5,568.00	40,714.36	46,282.36
Special Assessments	-	215,275.56	215,275.56
Interest	2,890.74	669.74	3,560.48
Rental Revenue	2,510.00	-	2,510.00
Miscellaneous Revenue	17,951.78	2,071.55	20,023.33
Total Revenue	<u>481,482.44</u>	<u>259,556.21</u>	<u>741,038.65</u>
Expenditures:			
Legislative:			
Township Board	59,235.80	-	59,235.80
General Government:			
Supervisor	12,494.06	-	12,494.06
Assessor	20,564.82	-	20,564.82
Clerk	16,075.36	-	16,075.36
Treasurer	19,932.32	-	19,932.32
Township Hall and Grounds	10,347.91	-	10,347.91
Other General Services	12,392.54	-	12,392.54
Public Safety:			
Fire Protection	-	123,485.60	123,485.60
Other Public Safety	4,542.50	-	4,542.50
Public Works:			
Streets, Drains, and Other	109,373.27	484.28	109,857.55
Solid Waste Collection	-	128,549.15	128,549.15
Community & Economic Development	15,570.36	-	15,570.36
Culture and Recreation:			
Parks and Library	34,546.15	-	34,546.15
Capital Outlay	1,000.00	-	1,000.00
Total Expenditures	<u>316,075.09</u>	<u>252,519.03</u>	<u>568,594.12</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>165,407.35</u>	<u>7,037.18</u>	<u>172,444.53</u>

The accompanying notes are an integral part of this financial statement.

Lee Township
Combined Statement of Revenues, Expenditures, and Changes
In Fund Balances - All Governmental Fund Types

For the Year Ended March 31, 2004

	<u>Governmental Fund Types</u>		<u>Total</u>
	<u>General</u>	<u>Special Revenue</u>	<u>(Memorandum Only)</u>
Other Financing Sources (Uses):			
Operating Transfers In	-	6,362.66	6,362.66
Operating Transfers Out	(6,362.66)		(6,362.66)
Total Other Financing Sources (Uses)	(6,362.66)	6,362.66	-
Excess (Deficiency) of Revenues and Other Sources Over Expenditures and Other Uses	159,044.69	13,399.84	172,444.53
Fund Balance, April 1	694,372.06	170,591.80	864,963.86
Fund Balance, March 31	<u>\$ 853,416.75</u>	<u>\$ 183,991.64</u>	<u>\$1,037,408.39</u>

The accompanying notes are an integral part of this financial statement.

Lee Township
Combined Statement of Revenues, Expenditures, and Changes
In Fund Balance - Budget Actual

For the Year Ended March 31, 2004

	General Fund		Over (Under)
	Budget	Actual	Budget
Revenues:			
Property Taxes	\$ 48,966.00	\$ 64,464.92	\$ 15,498.92
State Revenue Sharing	375,000.00	388,097.00	13,097.00
Charges for Services	-	5,568.00	5,568.00
Special Assessments	-	-	-
Interest	-	2,890.74	2,890.74
Rental Revenue	-	2,510.00	2,510.00
Miscellaneous Revenue	-	17,951.78	17,951.78
Total Revenue	<u>423,966.00</u>	<u>481,482.44</u>	<u>57,516.44</u>
Expenditures:			
General Government	619,690.00	152,042.81	(467,647.19)
Public Safety	6,500.00	4,542.50	(1,957.50)
Public Works	119,000.00	109,373.27	(9,626.73)
Community and Economic Development	14,500.00	15,570.36	1,070.36
Culture and Recreation:	36,200.00	34,546.15	(1,653.85)
Total Expenditures	<u>795,890.00</u>	<u>316,075.09</u>	<u>(479,814.91)</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>(371,924.00)</u>	<u>165,407.35</u>	<u>537,331.35</u>
Other Financing Sources (Uses):			
Operating Transfers In	-	-	-
Operating Transfers Out	-	(6,362.66)	(6,362.66)
Total Other Financing Sources (Uses)	<u>-</u>	<u>(6,362.66)</u>	<u>(6,362.66)</u>
Excess (deficiency) of revenues and other sources over expenditures and other uses	<u>(371,924.00)</u>	<u>159,044.69</u>	<u>530,968.69</u>
Fund balances, April 1	<u>694,372.06</u>	<u>694,372.06</u>	<u>-</u>
Fund balances, March 31	<u>\$ 322,448.06</u>	<u>\$ 853,416.75</u>	<u>\$ 530,968.69</u>

The accompanying notes are an integral part of this financial statement.

Special Revenue Funds		
Budget	Actual	Over (Under) Budget
\$ 105,108.00	\$ -	\$ (105,108.00)
-	825.00	825.00
38,000.00	40,714.36	2,714.36
146,265.00	215,275.56	69,010.56
-	669.74	669.74
-	-	-
-	2,071.55	2,071.55
<u>289,373.00</u>	<u>259,556.21</u>	<u>(29,816.79)</u>
-	-	-
213,009.00	123,485.60	(89,523.40)
153,380.00	129,033.43	(24,346.57)
-	-	-
-	-	-
5,099.00	-	(5,099.00)
<u>371,488.00</u>	<u>252,519.03</u>	<u>(118,968.97)</u>
<u>(82,115.00)</u>	<u>7,037.18</u>	<u>89,152.18</u>
-	6,362.66	6,362.66
-	-	-
-	6,362.66	6,362.66
(82,115.00)	13,399.84	95,514.84
<u>170,591.80</u>	<u>170,591.80</u>	<u>-</u>
<u>\$ 88,476.80</u>	<u>\$ 183,991.64</u>	<u>\$ 95,514.84</u>

Lee Township
Notes to Financial Statements
March 31, 2004

Note 1: Summary of Significant Accounting Policies

The accounting policies of the Lee Township conform to generally accepted accounting principles as applicable to governmental units. The following is a summary of the more significant policies.

REPORTING ENTITY:

Lee Township, Midland County, was organized prior to 1900 and covers approximately 36 square miles with the Township's seat located within the boundaries of the Township. The Township operates under the directorship of a Township board consisting of five members. The Township provides the following services: Public safety, highways and streets, culture and recreation, refuse collection, public improvements and general administrative services.

As required by generally accepted accounting principles, the financial statements of the reporting entity include those of the Township (the primary government) and its component unit. Component units are generally included in the financial statements of a reporting entity because of the significance of operational or financial relationships.

COMPONENT UNIT:

In accordance with generally accepted accounting principles and Governmental Accounting Standards Board (GASB) Statement No. 14 "The Financial Reporting Entity" certain other governmental organizations are not considered to be part of the Township for financial reporting purposes. The criteria established by the GASB for determining the reporting entity includes oversight responsibility, fiscal dependency, and whether the financial statements would be misleading if the potential component unit data was not included. The Township has determined that no other outside organization meets the above criteria and, therefore, no other entity has been included as a component unit in the Township's financial statements.

Lee Township
Notes to Financial Statements
March 31, 2004

BASIS OF PRESENTATION – FUND ACCOUNTING

The accounts of the Township are organized on the basis of funds and account groups, each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund equity, revenues, and expenditures, or expenses, as appropriate. Government resources are allocated to and accounted for in individual funds based upon the purposes for which they are to be spent and the means by which spending activities are controlled. The various funds are grouped in the financial statements in this report, into three generic fund types and two broad fund categories as follows:

Governmental Funds:

General Fund – The General Fund is the general operating fund of the Township. It is used to account for all financial resources except those required to be accounted for in another fund.

Special Revenue Funds – Special Revenue Funds are used to account for the proceeds of specific revenue sources (other than special assessments or major capital projects) that are legally restricted to expenditures for specified purposes.

Fiduciary Funds:

Trust and Agency Funds – A Trust and Agency Fund is used to account for assets held by the Township in a trustee capacity or as an agent for individuals, private organizations, other governments or other funds. Agency funds are custodial in nature and do not involve measurements of results of operations.

Account Groups:

General Fixed Assets Account Group – This account group is used to account for the Township's fixed assets, except those accounted for in Proprietary Funds.

General Long-Term Debt Group – This account group is used to account for the Township's long-term debt.

BASIS OF ACCOUNTING:

The basis of accounting refers to when revenues and expenditures or expenses are recognized in the accounts and reported in the financial statements. Basis of accounting related to the timing of the measurements made, regardless of the measurement focus applied.

Lee Township
Notes to Financial Statements
March 31, 2004

All governmental funds and agency funds are accounted for using the modified accrual basis of accounting. Revenues are recognized under the modified accrual basis of accounting when the related fund liability is incurred, provided the liability normally would be liquidated with expendable available financial resources. The major exception to this general rule is principal and interest on general long-term debt which is recognized when due.

The modified accrual basis of accounting is followed for all funds. Under the modified accrual basis of accounting, revenues are recognized in the year in which they become available and measurable, and expenditures are recognized in the year in which the liability is incurred.

CASH, CASH EQUIVALENTS, AND INVESTMENTS:

Cash on hand, demand deposits, certificates of deposit, savings accounts, and all short-term investments that are highly liquid and have an original maturity of three months or less are considered to be cash equivalents. Investments, if any, are presented at fair value.

RECEIVABLES:

Receivables have been recognized for all significant amounts due to the Township. Allowances for uncollectible accounts have not been provided for in that collection is not considered doubtful and any uncollected amounts would be immaterial.

INVENTORY:

Inventory held by the Enterprise Funds, if any, are valued at cost on the first-in, first-out basis. Inventories of expendable supplies in other funds have not been recorded and the amount of any such inventories is not considered material. The cost of such inventories has been stated as an expenditure at the time of purchase. The Township currently has no inventories.

DUE TO AND DUE FROM OTHER FUNDS:

During the course of its operations, the Township has numerous transactions between funds and the component unit to finance operations, to provide services, construct assets and service debt. To the extent that certain transactions between funds and the component unit had not been paid or received as of fiscal year end, balances of interfund and component unit accounts receivable or payable have been recorded.

Lee Township
Notes to Financial Statements
March 31, 2004

FIXED ASSETS AND DEPRECIATION:

Purchases of fixed assets for all other funds are recorded as expenditures in their respective funds at the time of purchase. A General Fixed Assets Group of Accounts, which is required by generally accepted accounting principles, has been established for the Township.

LONG-TERM DEBT:

Long-term liabilities to be funded by governmental funds are reported in the General Long-Term Deb Account Group.

ACCUMULATED UNPAID BENEFITS:

Employees are not allowed to accumulate vacation and sick pay and therefore, no accumulated amount has been shown in the General Long-Term Debt Group of Accounts in accordance with Governmental Accounting Standards Board's Statement No. 16 "Accounting for Compensated Absences."

FUND EQUITY:

The unreserved undesignated fund balances for governmental funds represent the amount available for budgeting future operations. Unreserved retained earnings for proprietary funds represent the net assets available for future operations or distributions. Reserved fund balance for governmental funds represents that portion of fund equity which has been legally segregated for specific purposes and/or does not constitute current available spending resources.

INTERFUND TRANSFERS:

During the course of normal operations, the Township has numerous transactions between funds including expenditures and transfers of resources to provide services, construct assets, and service debt. The accompanying financial statements generally reflect such transactions as operating transfers. The classification of amounts recorded as subsidies, advances, or equity contributions is determined by Township management.

Lee Township
Notes to Financial Statements
March 31, 2004

PROPERTY TAXES:

Property taxes attach as an enforceable lien on property as of December 1. taxes are levied on December 1 and are payable through February 28, at which time they are returned delinquent to the Midland County Treasurer.

The full 2003 levy of the Township's property tax is recognized as revenue of the current period. The uncollected property taxes as of March 31, 2004 are recognized as a current receivable. The Township bills and collects its own property taxes and taxes for other governmental units. Collection and remittance of property taxes are accounted for in the Tax Agency Fund.

Property taxes levied included .8671 mill for general operations, 2.0 mills for fire operations, and \$95 per residence for solid waste collection for the current year. The 2003 state equalized value and taxable value of property located in the Township totaled \$76,858,200 and \$59,018,642, respectively. The delinquent real property taxes of Lee Township are purchased by the County of Midland. The taxes have been recorded as a revenue for the current year.

BUDGETS AND BUDGETARY ACCOUNTING:

The following procedures are followed in establishing the budgetary data reflected in these general purpose financial statements:

1. Prior to the beginning of the fiscal year, the proposed budget for each budgetary fund is submitted to the Township Council for consideration.
2. The proposed budgets include expenditures as well as the methods of financing them.
3. Public hearings are held to obtain taxpayer comments.
4. The budgets are adopted by a majority vote of the Township Council.
5. The budgets are adopted on the modified accrual basis of accounting.
6. The originally adopted budgets can be amended during the year only by a majority vote of the Township Council.
7. The adopted budgets are used a management control device during the year for all budgetary funds.
8. Budget appropriations lapse at the end of each fiscal year.
9. The budget amounts shown in these general purpose financial statements are the originally adopted budgets with all amendments that were approved by the Township Council during the fiscal year.

Lee Township
Notes to Financial Statements
March 31, 2004

Note 2: Cash and Cash Equivalents

The Township's deposits at March 31, 2004 are included on the balance sheet under the following classifications:

	<u>Balance Sheet Classification</u> <u>Cash and Cash</u> <u>Equivalents</u>
Deposits – Bank	\$ 554,846
Total	<u>\$ 554,846</u>

DEPOSITS:

At March 31, 2004, the book value of the Township's deposits, consisting primarily of demand deposits, was \$1,022,969 with a corresponding bank balance of \$1,033,797. Township deposits are partially insured by the Federal Deposit Insurance Corporation. Of the bank's balance, approximately \$833,797 is uninsured (credit risk Category #1).

The Township believes that due to the dollar amounts of cash deposits and the limits of FDIC insurance, it is impractical to insure all bank deposits. As a result, the Township evaluates the financial institution it deposits funds with and assesses the level or risk with this institution; only institutions with an acceptable estimated risk level are used as depositories. The Township deposits are in accordance with statutory authority.

Note 3: Intefund Receivables and Payables

The amounts of interfund receivables and payables are as follows:

	<u>Interfund</u> <u>Receivable</u>	<u>Interfund</u> <u>Payable</u>
General Fund	\$ 208,646	\$ 8,694
Fire Fund	93,546	45,307
Solid Waste Fund	121,019	115,290
Oakridge Drive Fund	2,486	-
Sian Drive Fund	1,090	-
Ireland Drive Fund	4,943	-
Manitou Trail Fund	175	-
Tax Fund	-	262,614
	<u>\$ 431,905</u>	<u>\$ 431,905</u>

Lee Township
Notes to Financial Statements
March 31, 2004

Note 4: Fixed Assets

A summary of changes in general fixed assets follows:

	<u>Balance</u> <u>3/31/03</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>3/31/04</u>
Land and Land Improvements	54,286	1,000	-	43,010
Building and Building Improvements	198,182	-	-	198,182
Equipment	601,374	-	-	601,374
Park and Park Improvements	102,776	-	-	102,776
Playground Equipment	<u>115,811</u>	<u>-</u>	<u>-</u>	<u>115,811</u>
Total	<u>1,072,319</u>	<u>1,000</u>	<u>-</u>	<u>1,073,319</u>

Note 5: Defined Contribution Plan

The Township provides pension benefits to its employees through a defined contribution plan. In a defined contribution plan, benefits depend solely on amounts contributed to the plan plus investment earnings. The plan is administered by Manufacturers Life Insurance Company. The Township is required to contribute 15% of the participant's salary. Employees are able to voluntarily contribute up to 10% of their after-tax salary. Plan provisions and contribution requirements are established and amended by the Lee Township Board.

Note 6: Post Employment Benefits

The Township currently does not provide post employment benefits to employees.

Note 7: Excessive Expenditures over Appropriations for Budgetary Funds

P.A. 621 of 1978, Section 18(1), as amended, provided that local units shall not incur expenditures in excess of the amount appropriated. The Township adopted budgets on a basis consistent with generally accepted accounting principles (GAAP) for the General and Special Revenue Funds. The approved budgets of the Township were adopted to the activity level. Budgeted amounts are as originally adopted, or amended by the Township Council.

Lee Township
Notes to Financial Statements
March 31, 2004

Note 7: Excessive Expenditures over Appropriations for Budgetary Funds (continued)

During the year ended March 31, 2004, the Township incurred expenditures in excess of the amounts appropriated, as follows:

<u>Fund</u>	<u>Total Appropriations</u>	<u>Amount of Expenditure</u>	<u>Budget Variance</u>
General Fund:			
Planning and Zoning	13,100	14,970	1,870
Trailer Park Fees	500	678	178
Water	-	4,268	4,268
Operating Transfers Out	-	6,363	6,363

Note 8: Risk Management

The Township is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The Township manages this risk through policies held with external insurance companies.

Note 9: Contingencies

Under the terms of State grants, periodic audits are required and certain costs may be questioned as not being appropriate expenditures under the terms of the grants. Such audits could lead to reimbursement to the grantor agencies. However, Township management does not believe such disallowances, if any, will be material to the financial position of the Township.

Lee Township
Notes to Financial Statements
March 31, 2004

Note 10: Long-Term Debt

The Township had three Long-Term Debt obligations during the year ended March 31, 2004. The long-term debt of the Township may be summarized as follows:

	<u>Balance</u> <u>3/31/03</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>3/31/04</u>
Loan with Chemical Bank related To a purchase of a fire truck. Original loan of \$100,000 at 5.52% With a payment of \$20,030.59 per year	18,300	-	18,300	-
Loan with Chemical Bank related To a purchase of a 2000 Ford 550 For the Fire Department. Original Loan of \$38,000 at 5.66% with a Payment of \$9,500 plus interest Per year	19,000	-	9,500	9,500
Drain-at-large related to Emma #281 Drain	<u>24,168</u>	<u>-</u>	<u>6,042</u>	<u>18,126</u>
Total	<u>61,468</u>	<u>-</u>	<u>33,842</u>	<u>27,626</u>

The annual principal and interest requirements through maturity for all debt outstanding as of March 31, 2004 are as follows:

	<u>Annual</u> <u>Principal</u> <u>Payments</u>	<u>Annual</u> <u>Interest</u> <u>Payments</u>	<u>Total</u> <u>Annual</u> <u>Requirements</u>
2004	15,542	1,517	17,059
2005	6,042	650	6,692
2006	<u>6,042</u>	<u>325</u>	<u>6,367</u>
	<u>27,626</u>	<u>2,492</u>	<u>30,118</u>

Lee Township
Notes to Financial Statements
March 31, 2004

Note 11: Total – Memorandum Only

The combined financial statements of fund types and account groups present total columns for the year ended March 31, 2004, which aggregate the columnar statements by fund type and account group. These columns are presented only for comparative purposes and should not be construed as presenting consolidated financial information.

SUPPLEMENTAL DATA

Lee Township
General Fund
Statement of Revenues and Expenditures - Budget and Actual
For the Year Ended March 31, 2004

	Budget	Actual	Variance Favorable (Unfavorable)
Revenues			
Property Taxes	\$ 48,966.00	\$ 64,464.92	\$ 15,498.92
State Revenue Sharing	375,000.00	388,097.00	13,097.00
Interest Revenue	-	2,890.74	2,890.74
Rental Revenue	-	2,510.00	2,510.00
Charges for Services	-	5,568.00	5,568.00
Licenses and Permits	-	200.00	200.00
Cemetery Lot Sales	-	1,550.00	1,550.00
Trailer Park Fees	-	4,979.00	4,979.00
Land Division Revenue	-	900.00	900.00
Miscellaneous Revenue	-	10,322.78	10,322.78
Total Revenues	423,966.00	481,482.44	57,516.44
Expenditures			
Township Board	481,390.00	60,235.80	421,154.20
Supervisor	20,620.00	12,494.06	8,125.94
Assessor	20,700.00	20,564.82	135.18
Elections	6,100.00	-	6,100.00
Clerk	19,690.00	16,075.36	3,614.64
Board of Review	2,600.00	2,007.29	592.71
Treasurer	28,040.00	19,932.32	8,107.68
Cemetery	20,000.00	9,888.14	10,111.86
Township Hall	19,500.00	10,347.91	9,152.09
Library	20,000.00	19,394.00	606.00
Planning and Zoning	13,100.00	14,970.36	(1,870.36)
Land Division Administration	1,400.00	600.00	800.00
Board of Appeals	1,050.00	497.11	552.89
Drains	10,000.00	7,270.49	2,729.51
Road Maintenance	102,000.00	91,497.21	10,502.79
Street Lighting	7,000.00	6,338.07	661.93
Park	16,200.00	15,152.15	1,047.85
Trailer Park Fees	500.00	677.50	(177.50)
Code Enforcement	6,000.00	3,865.00	2,135.00
Water	-	4,267.50	(4,267.50)
Total Expenditures	795,890.00	316,075.09	479,814.91
Excess (Deficiency) of Revenues over Expenditures	(371,924.00)	165,407.35	537,331.35

The accompanying notes are an integral part of this financial statement.

Lee Township
General Fund
Statement of Revenues and Expenditures - Budget and Actual
For the Year Ended March 31, 2004

Operating Transfers Out	<u>-</u>	<u>(6,362.66)</u>	<u>(6,362.66)</u>
Excess (Deficiency) of Revenues over Expenditures and Operating Transfers Out	(371,924.00)	159,044.69	530,968.69
Fund Balance - Beginning of Year	<u>694,372.06</u>	<u>694,372.06</u>	<u>-</u>
Fund Balance - End of Year	<u><u>\$ 322,448.06</u></u>	<u><u>\$ 853,416.75</u></u>	<u><u>\$ 530,968.69</u></u>

The accompanying notes are an integral part of this financial statement.

Lee Township
General Fund
Schedule of Expenditures - Budget to Actual
For the Year Ended March 31, 2004

	<u>Budget</u>	<u>Actual</u>	Variance Favorable (Unfavorable)
<u>Township Board</u>			
Salaries	\$ -	\$ 7,300.00	\$ -
Employer Payroll Taxes	-	105.85	-
Pension Plan Expense	-	6,810.17	-
Office Supplies	-	617.82	-
Legal and Accounting	-	4,563.12	-
Contracted Services	-	5,221.32	-
Printing and Publishing	-	538.11	-
Insurance	-	24,120.00	-
Mileage	-	154.69	-
Convention Expense	-	266.25	-
Seminars and Training	-	640.00	-
Repairs and Maintenance	-	2,700.00	-
Miscellaneous	-	1,717.12	-
Refunds	-	4,481.35	-
Capital Outlay	-	1,000.00	-
	<u>\$ 481,390.00</u>	<u>\$ 60,235.80</u>	<u>\$ 421,154.20</u>
<u>Supervisor</u>			
Salary - Supervisor	\$ -	\$ 10,800.00	\$ -
Salary - Deputy	-	950.00	-
Employer Payroll Taxes	-	170.38	-
Office Supplies	-	210.68	-
Convention Expense	-	175.00	-
Training	-	50.00	-
Office Equipment	-	138.00	-
	<u>\$ 20,620.00</u>	<u>\$ 12,494.06</u>	<u>\$ 8,125.94</u>
<u>Assessor</u>			
Contracted Services	\$ -	\$ 17,893.82	\$ -
Assessment Notices	-	1,057.71	-
Postage	-	823.29	-
Computer Expense	-	790.00	-
	<u>\$ 20,700.00</u>	<u>\$ 20,564.82</u>	<u>\$ 135.18</u>

The accompanying notes are an integral part of this financial statement.

Lee Township
General Fund
Schedule of Expenditures - Budget to Actual
For the Year Ended March 31, 2004

	Budget	Actual	Variance Favorable (Unfavorable)
Elections	\$ 6,100.00	\$ -	\$ -
<u>Clerk</u>			
Salary	\$ -	\$ 10,800.00	\$ -
Salary - Deputy	-	1,235.00	-
Employer Payroll Taxes	-	174.51	-
Office Supplies	-	498.02	-
Equipment Repair	-	24.20	-
Postage	-	164.24	-
Mileage	-	124.46	-
Telephone	-	385.89	-
Computer Expense	-	2,062.04	-
Convention Expense	-	188.25	-
Equipment	-	224.96	-
Printing and Publishing	-	193.79	-
	<u>\$ 19,690.00</u>	<u>\$ 16,075.36</u>	<u>\$ 3,614.64</u>
<u>Board of Review</u>			
Salary	\$ -	\$ 1,885.00	\$ -
Employer Payroll Taxes	-	27.34	-
Printing and Publishing	-	94.95	-
	<u>\$ 2,600.00</u>	<u>\$ 2,007.29</u>	<u>\$ 592.71</u>
<u>Treasurer</u>			
Salary	\$ -	\$ 13,008.00	\$ -
Salary - Deputy	-	1,139.99	-
Employer Payroll Expense	-	205.15	-
Supplies	-	1,504.34	-
Mileage	-	567.48	-
Printing	-	854.60	-
Equipment Rental	-	2,586.09	-
Miscellaneous	-	66.67	-
	<u>\$ 28,040.00</u>	<u>\$ 19,932.32</u>	<u>\$ 8,107.68</u>

The accompanying notes are an integral part of this financial statement.

Lee Township
General Fund
Schedule of Expenditures - Budget to Actual
For the Year Ended March 31, 2004

	<u>Budget</u>	<u>Actual</u>	Variance Favorable (Unfavorable)
<u>Cemetery</u>			
Openings, Closings, and Foundations	\$ -	\$ 1,965.40	\$ -
Ground Maintenance	-	7,145.50	-
Utilities	-	77.24	-
Building Maintenance	-	25.00	-
Rental of Facilities	-	675.00	-
	<u>\$ 20,000.00</u>	<u>\$ 9,888.14</u>	<u>\$ 10,111.86</u>
 <u>Township Hall</u>			
Salary	\$ -	\$ 3,583.30	\$ -
Employer Payroll Taxes	-	51.96	-
Fuel	-	2,882.16	-
Supplies	-	439.73	-
Repairs and Maintenance	-	193.35	-
Grounds Maintenance	-	1,735.00	-
Telephone	-	197.86	-
Electricity	-	649.55	-
Equipment Repairs	-	615.00	-
	<u>\$ 19,500.00</u>	<u>\$ 10,347.91</u>	<u>\$ 9,152.09</u>
 <u>Library</u>	<u>\$ 20,000.00</u>	<u>\$ 19,394.00</u>	<u>\$ 606.00</u>
 <u>Planning and Zoning</u>			
Salary	\$ -	\$ 3,435.00	\$ -
Employer Payroll Expense	-	49.81	-
Supplies	-	621.79	-
Contracted Services	-	10,290.58	-
Printing and Publishing	-	573.18	-
	<u>\$ 13,100.00</u>	<u>\$ 14,970.36</u>	<u>\$ (1,870.36)</u>

The accompanying notes are an integral part of this financial statement.

Lee Township
General Fund
Schedule of Expenditures - Budget to Actual
For the Year Ended March 31, 2004

	<u>Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
<u>Land Division Administration</u>			
Salary	\$ -	\$ 600.00	\$ -
	<u>\$ 1,400.00</u>	<u>\$ 600.00</u>	<u>\$ 800.00</u>
<u>Board of Appeals</u>			
Salary	\$ -	\$ 490.00	\$ -
Employer Payroll Taxes	-	7.11	-
	<u>\$ 1,050.00</u>	<u>\$ 497.11</u>	<u>\$ 552.89</u>
<u>Road Maintenance</u>			
Dust Control	\$ -	\$ 2,280.00	\$ -
Contract Maintenance	-	89,217.21	-
	<u>\$ 102,000.00</u>	<u>\$ 91,497.21</u>	<u>\$ 10,502.79</u>
<u>Street Lighting</u>	<u>\$ 7,000.00</u>	<u>\$ 6,338.07</u>	<u>\$ 661.93</u>
<u>Park</u>			
Supplies	\$ -	\$ 197.54	\$ -
Contract Services	-	13,441.97	-
Utilities	-	557.64	-
Equipment Rental	-	955.00	-
	<u>\$ 16,200.00</u>	<u>\$ 15,152.15</u>	<u>\$ 1,047.85</u>
Trailer Park Fees	<u>\$ 500.00</u>	<u>677.50</u>	<u>\$ (177.50)</u>
Code Enforcement	<u>\$ 6,000.00</u>	<u>\$ 3,865.00</u>	<u>\$ 2,135.00</u>
Water	<u>\$ -</u>	<u>\$ 4,267.50</u>	<u>\$ (4,267.50)</u>
Drains	<u>\$ 10,000.00</u>	<u>\$ 7,270.49</u>	<u>\$ 2,729.51</u>
Total Expenditures	<u>\$ 795,890.00</u>	<u>\$ 316,075.09</u>	<u>\$ 473,714.91</u>

The accompanying notes are an integral part of this financial statement.

Lee Township
Special Revenue Funds
Combining Balance Sheet
March 31, 2004

	Fire Fund	Solid Waste Fund	Liquor Enforcement Fund
Assets			
Cash and cash equivalents	\$ 126,923.70	\$ -	\$ -
Accounts Receivable	11,600.00	-	-
Property Taxes and Assessments Receivable	17,625.42	27,656.26	-
Prepaid Expenses	-	-	-
Due from other funds	<u>93,545.53</u>	<u>121,018.74</u>	<u>-</u>
Total Assets	<u><u>\$ 249,694.65</u></u>	<u><u>\$ 148,675.00</u></u>	<u><u>\$ -</u></u>
 Liabilities and Fund Balances			
Liabilities			
Accounts Payable	\$ 4,943.34	\$ -	\$ -
Payroll Taxes Payable	33.28	-	-
Pension Contribution Payable	8,985.23	-	-
Accrued Interest	1,853.93	-	-
Accrued Wages Payable	2,090.00	-	-
Deferred Revenue	17,625.42	27,656.26	-
Due to other funds	<u>45,306.38</u>	<u>115,289.96</u>	<u>-</u>
Total Liabilities	<u>80,837.58</u>	<u>142,946.22</u>	<u>-</u>
Fund Balances:			
Unreserved:			
Designated	-		
Undesignated	<u>168,857.07</u>	<u>5,728.78</u>	<u>-</u>
Total fund balances	<u>168,857.07</u>	<u>5,728.78</u>	<u>-</u>
 Total Liabilities and Fund Balances	<u><u>\$ 249,694.65</u></u>	<u><u>\$ 148,675.00</u></u>	<u><u>\$ -</u></u>

The accompanying notes are an integral part of this financial statement.

<u>Oakridge Drive Fund</u>	<u>Sian Drive Fund</u>	<u>Ireland Drive Fund</u>	<u>Manitou Trail Fund</u>	<u>Total</u>
\$ -	\$ -	\$ -	\$ -	\$ 126,923.70
-	-	-	-	11,600.00
350.00	150.00	186.29	25.00	45,992.97
-	-	-	-	-
<u>2,486.53</u>	<u>1,089.63</u>	<u>4,943.18</u>	<u>175.16</u>	<u>223,258.77</u>
<u>\$ 2,836.53</u>	<u>\$ 1,239.63</u>	<u>\$ 5,129.47</u>	<u>\$ 200.16</u>	<u>\$ 407,775.44</u>

\$ -	\$ -	\$ -	\$ -	\$ 4,943.34
-	-	-	-	33.28
-	-	-	-	8,985.23
-	-	-	-	1,853.93
-	-	-	-	2,090.00
-	-	-	-	45,281.68
-	-	-	-	160,596.34
<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>223,783.80</u>

-	-	-	-	-
<u>2,836.53</u>	<u>1,239.63</u>	<u>5,129.47</u>	<u>200.16</u>	<u>183,991.64</u>
<u>2,836.53</u>	<u>1,239.63</u>	<u>5,129.47</u>	<u>200.16</u>	<u>183,991.64</u>
<u>\$ 2,836.53</u>	<u>\$ 1,239.63</u>	<u>\$ 5,129.47</u>	<u>\$ 200.16</u>	<u>\$ 407,775.44</u>

Lee Township
Special Revenue Funds
Combining Statement of Revenues, Expenditures and Changes in Fund Balances
For the Year Ended March 31, 2004

	Fire Fund	Solid Waste Fund	Liquor Enforcement Fund
Revenues:			
Property Taxes	\$ -	\$ -	\$ -
State revenue sharing	-	-	825.00
Charges for services	40,714.36	-	-
Special Assessments	93,545.53	121,018.74	-
Interest	669.74	-	-
Miscellaneous	2,071.55	-	-
Total Revenues	<u>137,001.18</u>	<u>121,018.74</u>	<u>825.00</u>
Expenditures:			
Public Safety:	122,645.60	-	840.00
Public Works	-	128,549.15	-
Capital outlay	-	-	-
Total Expenditures	<u>122,645.60</u>	<u>128,549.15</u>	<u>840.00</u>
Excess (deficiency) of revenues over expenditures	<u>14,355.58</u>	<u>(7,530.41)</u>	<u>(15.00)</u>
Other financing sources (uses):			
Operating transfers in	-	6,347.66	15.00
Operating transfers out	-	-	-
Total other financing sources (uses)	<u>-</u>	<u>6,347.66</u>	<u>15.00</u>
Excess (deficiency) of revenues and other sources over expenditures and other uses	14,355.58	(1,182.75)	-
Fund balances, beginning of the year	<u>154,501.49</u>	<u>6,911.53</u>	<u>-</u>
Fund balances, end of the year	<u>\$ 168,857.07</u>	<u>\$ 5,728.78</u>	<u>\$ -</u>

The accompanying notes are an integral part of this financial statement.

<u>Oakridge Drive Fund</u>	<u>Sian Drive Fund</u>	<u>Ireland Drive Fund</u>	<u>Manitou Trail Fund</u>	<u>Total</u>
\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	825.00
-	-	-	-	40,714.36
350.00	150.00	186.29	25.00	215,275.56
-	-	-	-	669.74
-	-	-	-	2,071.55
<u>350.00</u>	<u>150.00</u>	<u>186.29</u>	<u>25.00</u>	<u>259,556.21</u>
-	-	-	-	123,485.60
193.15	291.13	-	-	129,033.43
-	-	-	-	-
<u>193.15</u>	<u>291.13</u>	<u>-</u>	<u>-</u>	<u>252,519.03</u>
<u>156.85</u>	<u>(141.13)</u>	<u>186.29</u>	<u>25.00</u>	<u>7,037.18</u>
-	-	-	-	6,362.66
-	-	-	-	-
<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>6,362.66</u>
156.85	(141.13)	186.29	25.00	13,399.84
<u>2,679.68</u>	<u>1,380.76</u>	<u>4,943.18</u>	<u>175.16</u>	<u>170,591.80</u>
<u>\$ 2,836.53</u>	<u>\$ 1,239.63</u>	<u>\$ 5,129.47</u>	<u>\$ 200.16</u>	<u>\$ 183,991.64</u>

Lee Township
Tax Agency Fund
Statement of Changes in Assets and Liabilities
For the Year Ended March 31, 2004

	Balance at March 31, 2003	Additions	Deductions	Balance at March 31, 2004
<u>Assets</u>				
Cash in bank	\$ 367.95	\$ 1,664,181.48	\$ 1,401,396.56	\$ 263,152.87
<u>Liabilities</u>				
Due to General Fund	\$ 367.95	\$ 48,229.49	\$ 547.70	48,049.74
Due to Fire Fund	-	93,545.53	-	93,545.53
Due to Solid Waste Fund	-	121,018.74	-	121,018.74
Due to Midland County	-	757,813.95	757,477.85	336.10
Due to Bullock Creek Schools	-	445,479.25	445,447.98	31.27
Due to Breckenridge Community Schools	-	56,151.21	56,065.72	85.49
Due to Meridian Public Schools	-	9,074.10	9,074.10	-
Due to Delta College	-	127,453.43	127,395.84	57.59
Due to Gratiot-Isabella RESD	-	-	-	-
Due to Midland County Educational Service Agency	-	60.96	60.96	-
Due to State of Michigan	-	102.67	102.67	-
Overpayments	-	5,252.15	5,223.74	28.41
	<u>\$ 367.95</u>	<u>\$ 1,664,181.48</u>	<u>\$ 1,401,396.56</u>	<u>\$ 263,152.87</u>

The accompanying notes are an integral part of this financial statement.

Dale L. Stanton
Certified Public Accountant

July 24, 2004

To The Township Board
Lee Township
Midland, Michigan

Dear Board Members:

In planning and performing my audit of the financial statements of the Lee Township as of and for the year ended March 31, 2004, I considered its internal control to determine my auditing procedures for the purpose of expressing my opinion on the financial statements and not to provide assurance on internal controls. My consideration of internal controls would not necessarily disclose all matters in the internal control process that might be material weakness under standards established by the American Institute of Certified Public Accountants. *Reportable conditions* involve matters coming to my attention relating to significant deficiencies in the design or operation of internal control that, in my judgment, could adversely affect the Township's ability to record, process, summarize, and report financial data consistent with the assertions of management in the financial statements. A *material weakness* is a condition in which the design or operation of one or more of the specific internal control elements does not reduce to relatively low level of risk that misstatements caused by errors or irregularities in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions.

The following comments and recommendations are submitted to assist in improving procedures and controls. I would be pleased to discuss these suggestions or to respond to any questions at your convenience.

Uniform Chart of Accounts

During the course of my engagement, I noticed that the Township did not follow the *Michigan Department of Treasury Uniform Chart of Accounts*. The Township is currently in the process of implementing an accounting software package that should help with the proper classification and recording of financial information. I strongly recommend that the Township review the State's Chart of Accounts as a part of this implementation process.

3278 E. Monroe Road
Midland, MI 48642



(989) 837-0814
dstanton@tm.net

Interim Financial Reporting

As described in the *Uniform Accounting Procedures Manual* for Counties and Local Units of Government in Michigan, legislative bodies must be provided periodic financial reports. The required periodic reports and suggested frequency should include the following:

- Summary report of cash activity by fund (monthly)
- Summary report of cash activity by bank account, certificate of deposit and investment account (monthly)
- Balance sheet by fund (monthly)
- Detail revenue by fund – budget to actual (monthly)
- Detail expenditures by fund – budget to actual (monthly)
- List of bills to be approved for payment (each meeting)
- Separate list of bills paid prior to approval pursuant to a council approved policy (each meeting)

My inquires indicated that all of these reports are not routinely presented to the Board for review. I therefore recommend that the above reports be prepared to assist the Board with its oversight responsibility. State law requires a budget for general and special revenue funds. Expenditures within these funds cannot exceed the budget.

Tax Deposits

It was noted that in August 2003, \$1,772.39 that should have been deposited into the Tax Fund account was deposited into the General Fund account. This was caught by the Township and corrected approximately 30 days later. I recommend that the Township continue to closely monitor the receipts and deposits for all funds.

Pension Fund

One of the comments from last year's audit related to the timely remittance of Pension funds. The Township still is in the process of identifying eligible participants for prior years so that the appropriate records can be submitted to the plan administrator. After this is done, the Township should be able to get caught up with this obligation.

Recording of Transactions

I noticed that certain Township disbursements were posted directly to revenue accounts in the Township's Chart of Accounts. The Michigan Department of Treasury's *Uniform Accounting Procedures Manual* outlines how revenues and expenditures should be classified. I recommend that the Township refrain from netting expenses directly against revenue accounts.

Lee Township
July 24, 2004
Page 3

This report is intended solely for the information and use of the Township Board, management, and the State of Michigan, and is not intended to be and should not be used by anyone other than these specified parties. However, this report is a matter of public record and its distribution is not limited.

I would like to thank the Township staff for their assistance during the course of my audit. Again, if the Board would like to discuss any matters discussed in this letter, or would like assistance implementing any of my suggestions, please do not hesitate to contact me.

Regards,

A handwritten signature in black ink, appearing to read 'Dale L. Stanton', with a stylized, cursive script.

Dale L. Stanton
Certified Public Accountant